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FM AMEMBASSY BANGKOK  
TO RUEHC/SECSTATE WASHDC PRIORITY 4354  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY  
RUEHBJ/AMEMBASSY BEIJING PRIORITY 3557  
RUEHKO/AMEMBASSY TOKYO PRIORITY 8771  
RUEHCHI/AMCONSUL CHIANG MAI PRIORITY 2995  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

UNCLAS BANGKOK 000523

SIPDIS

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STATE FOR EAP/MLS AND EB  
COMMERCE FOR EAP/MAC/OKSA  
TREASURY FOR OASIA  
PASS TO USTR FOR WEISEL  
PASS TO FEDERAL RESERVE SAN FRANCISCO FOR DAN FINEMAN  
PASS TO FEDERAL RESERVE NEW YORK FOR MATT HILDEBRANDT  
SINGAPORE FOR SUSAN BAKER

E.O. 12958: N/A  
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SUBJECT: THAI GOVERNMENT ADDRESSES FOREIGN BUSINESS  
COMMUNITY

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11. (U) On January 24, PM Surayud addressed a lunch meeting attended by more than 700 members of the Joint Foreign Chambers of Commerce in Thailand. The PM's address was intended to rebut the increasingly widely held view the military-appointed interim government is more cautious toward foreign investment. The PM provided an overview of the political and economic environment, with his main points being 1) his government will get tough on the remnants of the Thaksin regime "although no one should underestimate the great challenges we face" and, 2) recent economic policies, especially the proposed Foreign Business Act (FBA) amendments, should in no way be construed as indicating foreign investment is unwelcome but rather are to "create a more level playing field" and greater transparency and certainty for foreign investors. "We do not want to kill the goose that lays the golden egg," the PM concluded.

12. (SBU) Accompanying the PM were the key economic members of his cabinet, including the ministers for finance, commerce, transport, industry, and foreign affairs. In responding to a question (one of two permitted by time constraints), Minister of Commerce Krik-Krai noted that the primary reason for the changes to the FBA (in contrast to what the PM had just indicated) was the political imperative caused by the Shin-Temasek transaction. The proposed changes will definitively outlaw so-called nominee company structures; such a structure was used in the Temasek deal which, as Krik-Krai noted by way of underlining the urgency of the issue, "led to the fall of the previous government." He also said that the proposed amendments would create more transparency, that Thailand was as open to foreign investment as ever, and that Thailand's actions were compatible with its WTO obligations under GATS. Krik-Krai then added that if others (such as the EU) had reservations on the WTO legality issue, the Thai government was prepared to "listen and negotiate."

13. (SBU) Comment: The charm offensive by the government to offset the negative reaction among foreign investors to the triple whammy of imposition of capital controls, the issuance of a compulsory license on a pharmaceutical, and the FBA changes was welcomed by the large audience. In particular,

the audience was cheered by Krik-Krai's willingness to negotiate the proposed provisions of the FBA within the WTO context. Overall, however, the atmosphere here remains clouded by uncertainty and the perception that country risk has increased for Thailand. The Thai Government has dug itself into a big hole, and it will take a sustained effort, backed by tangible measures, to climb out of it. At one point, Krik-Krai joked that he may have to spend the rest of his term as minister explaining the FBA. He may be right.

BOYCE